

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **November 22, 2005, Work Session**

AGENDA ITEM NO.: 3

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Further Discussion Regarding the Establishment of a Regional Airport Authority**

RECOMMENDATION: Provide staff direction on the establishment of a regional airport authority.

SUMMARY: When City Council discussed this matter during its retreat in August, it was agreed that it would be brought back for further discussion at a future work session. Accordingly, time has been set aside on your November 22 agenda. Attached for review is a copy of the background paper that was provided prior to Council's retreat. I am unaware of any changes that have occurred since then that would impact consideration of this proposal.

PRIOR ACTION(S): Discussion at Council retreat August 30, 2005

FISCAL IMPACT: N/A

CONTACT(S): Kimball Payne, 455-3990; Mark Courtney, 455-6089

ATTACHMENT(S): Background paper on Regional Airport Authority Issues, Pros and Cons

REVIEWED BY: lkp

Regional Airport Authority

Issues, Pros & Cons

A regional airport authority allows other localities to participate in this important economic development activity that benefits all of Region 2000. The airport is one of the few government provided public services that is not duplicated in any of the surrounding counties. The fact that all localities benefit from the regional airport suggests that regional ownership and operation may be appropriate.

A regional airport authority has been supported in the past by the Airport Commission and the Lynchburg Regional Chamber of Commerce.

A regional airport authority may make people feel better about the potential for and success of regional cooperation in general.

To the extent that the other localities would “buy in” to the airport’s equity (in essence, repay the City for some part of its past investment) the City would benefit financially.

If the other localities agreed to assume some of the risk of operating the airport with respect to the balance sheet, the City could reduce the operating subsidy that it presently provides.

Why would any other locality want to “buy in” to the regional airport with its subsidy and potential challenges if the airlines pull out? If the airlines did pull out completely, many of the requirements of the FAA could be eliminated which would reduce operating costs. Of course, there would still be debt service on the terminal which accounts for most of the subsidy already.

If no other locality is willing to “buy in” to the airport’s equity or its operating costs, then does the City’s past investment really have any value (under the assumption that for something to have value there must be someone willing to pay something for it)?

A regional airport authority could have certain powers giving it greater flexibility than the City has alone. For example, the ability to own property, to buy and sell assets, to borrow money, and to enter into contracts in ways that are less procedurally complex than the City requires.

There would be a greater potential for Campbell County to share tax revenue generated by airport operations (Personal Property Tax, Business License Tax, etc.). Possibly, growth in tax revenue could be committed to airport development.

A regional airport authority may be the most effective way to coordinate development of an airport commerce park adjacent to the airport proper. One governing/management body rather than two would be more efficient. The one body could more easily take advantage of certain opportunities for synergy between the commerce park and the airport.

Development review might be streamlined if Campbell County was a participant in an airport authority. Presently the airport must submit development proposals and site plans to the county for review and approval.

There is the issue of control. The City would be giving up control of an asset that it has managed, paid for and provided to the region for a number of years. Control would rest in an appointed Airport Authority composed of representatives appointed by the governing bodies of the participating localities. The Airport Manager would report to the Authority and not to the City Manager.

As a practical manner, what benefit has sole control provided to the City solely? Instead, the City has been the sole bearer of the costs.

The airport operations are already somewhat autonomous from other City operations. Examples include maintenance and snow removal activities, police and fire services. In some cases the need to follow state and federal regulations requires the airport to follow procedures different from other City departments.

On the other hand, there is the potential that complete autonomy would require additional administrative staff with an increase in operating costs. However, the airport presently receives little in the way of services from other City departments so it is hard to predict where additional staff might be needed. Furthermore, the elimination of the indirect costs allocation currently charged to the airport, could offset any additional administrative costs.

Autonomy from the City would potentially reduce airport operating costs to the extent that charges through indirect costs allocation would be eliminated. The airport would merely pay for services it received directly such as waste disposal and water and sewer, as it already does.

L. K. Payne, III
July 8, 2005